

# Pakistan Banking Sector

## Advances, Deposits & Investments increase YoY in Jan'21

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Sana Tawfik

D: +92 21 32462742

UAN: +92 21 111 245 111, Ext: 248

F: +92 21 32420742

E: sana.tawfik@arifhabibltd.com



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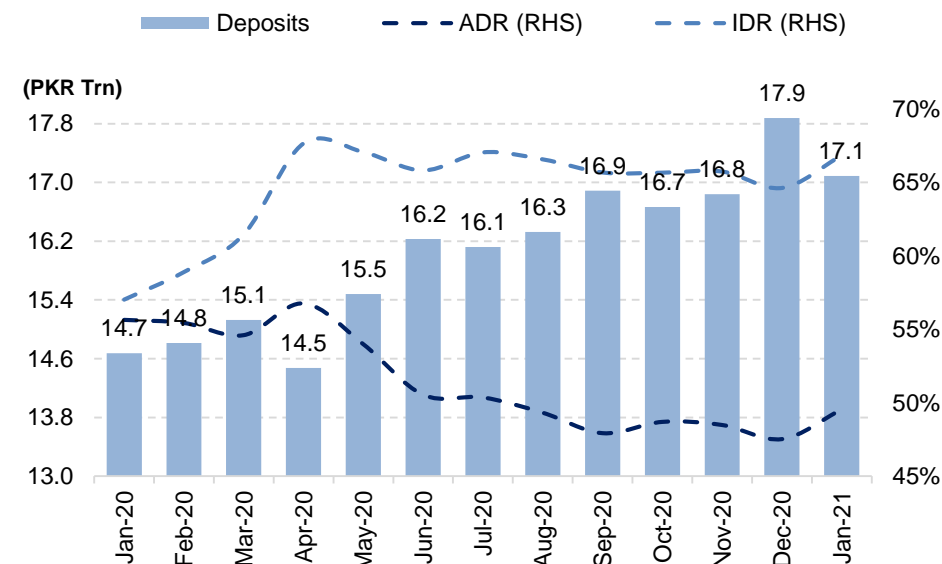
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## Advances, Deposits & Investments increase YoY in Jan'21

- Total deposits of scheduled banks reached PKR 17,086bn as compared to PKR 14,672bn recorded during last year same period, marking an increase of 16.4% YoY. However, on a monthly basis, deposits were down 4.4% in Jan'21, mainly due to a high base of prior month (PKR 17,875bn in Dec'20). The monthly decline in deposits resulted in a slight dip of 0.5% in M2 during Jan'21 since Dec'20.
- Historically too, we have seen deposit attrition during the month of January (Average MoM of last 5 years: -1%) after the placements with banks peak at the year ends (a common practice in the industry to achieve deposit targets).
- During Jan'21, gross advances of all scheduled banks increased 3.7% YoY to PKR 8,467bn compared to PKR 8,164bn recorded in SPLY. However, over the past month (Dec'20), slight decline of 0.3% has been witnessed. This growth has been less than of what it has shown over the last couple of years, despite lower interest rates. The relatively lower growth in advances appears to be due to subdued economic activities following the pandemic.
- However, we saw investments going up 36.5% YoY in Jan'21 to PKR 11,421bn (Jan'20: PKR 8,366bn) amid weaker demand for advances and abundant liquidity. Apart from investment in Gov't Securities, other investment avenues were limited in the pandemic which led investor to keep their savings in the banks.
- ADR ratio dropped to 50% in Jan'21 from 56% in Jan'20, while up 203bps on MoM basis. IDR increased to 67% in Jan'21, up 982bps YoY and 222bps MoM. (Jan'20: 57% | Dec'20: 65%).
- Going forward, we anticipate the current trend of banks' preference for risk-free investments in gov't securities to continue while advances growth are expected to remain subdued. We expect deposits to increase 13-14%, while advances are expected to grow 6-7% during CY21.

**Exhibit: Deposit increased by 16% YoY to 17.1trn during Jan'21**



Source (s): SBP, AHL Research

**Exhibit: Total Advances, Deposits and Investments**

PKR bn	Jan-21	Jan-20	YoY	Dec-20	MoM
Advances	8,467	8,164	3.7%	8,497	-0.3%
Deposits	17,086	14,673	16.4%	17,876	-4.4%
Investments	11,421	8,366	36.5%	11,552	-1.1%

Source (s): SBP, AHL Research

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Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
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## Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discounted Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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